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REPORT

CD NO.



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SOURCE Neue Zuercher Zeitung.

At a recent meeting of the Central Committee of the Socialist Unity Party, Heinrich Rau, Deputy Minister-President of the German Democratic Republic, reported on the progress of the 1951 economic plan during the first quarter of the current year.

Rau stated that the planned figures for the report period had been exceeded by 5 percent for industrial production and that favorable results had also been achieved in the sphere of agriculture. He claimed that the crop failures of last fall had been made up for by the 1951 spring planting, and that good progress had also been made in livestock raising. However, despite the fact that, on the whole, the quotas called for by the Five-Year Plan have been met, the plan would actually seem to be jeopardized as the result of the serious plight of one of the key industries, the machine-building industry.

Rau criticized severely the fact that, although the demand for the output of certain branches had increased neither for domestic consumption nor for export, the over-all production of these branches showed a considerable rise, while other branches have fallen short of their quotas in the production of strategic items.

Manufacture of power machines, turbines, high-pressure steam boilers, forge hammers, lathes, multiple-spindle automatic-chucking machines, and grain binders has not even been started in some instances. In other cases, only a small percentage of the planned quota has been completed. Moreover, the finished product did not come up to qualitative requirements. Some of it was definitely inferior and there was a high proportion of rejects, necessitating additional consumption of raw materials and considerable cost increases. The steel plants, which are turning out products of unsatisfactory quality, must be held responsible for this state of affairs.

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Rau spoke in no uncertain terms of the serious consequences which had been incurred by the failure of the machine industry. An impasse has been reached in the equipment of electric power plants, mines, and metallurgical and chemical industries, which, in turn, is causing a lag in the fulfillment of the investment plan. Consequently, the anticipated increase of the economic potential did not materialize and the over-all development of production and consumption is slowing down. Curtailment of exports is jeopardizing the procurement of essential goods from foreign countries.

It is significant that Rau admits that the fulfillment of the Five-Year Plan is, for the time being, dependent on deliveries from the West. Rau pointed out that the timely completion of important machines can only be achieved if two of the components can be procured from the West, in other words, that the prompt production of essential machines "is dependent on our enemies." Rau demanded that the German Democratic Republic be freed of its reliance on Western imports. He proposed a reorganization of the economy, to be carried out by qualified technicians and engineers, so that, should the production of one branch of industry exceed GDR demands, individual enterprises can be deactivated and their premises and equipment diverted to other enterprises.

Rau's statements confirm the reports of the West Berlin press concerning current tensions in the East German economy. Because of snags in the procurement of raw materials, large numbers of workers have had to be dismissed, even in key plants. However, far from attempting to master these difficulties by seeking to expand trade with foreign countries, the Communist despots are doing their best to build up barriers against such trade. Rau would have the GDR become autonomous. He wants to achieve East Germany's complete independence of the West. While the Socialist Unity Party pretends that it wants the unification of Germany, it is doing all in its power to bring about a complete separation in the economic sphere.

Rau, complaining of the more or less formalized planning, stated that, up to now, there has been altogether too much emphasis on the production of traditional goods, rather than the desired emphasis on goods for which there is a primary demand. As a result, surpluses of certain goods have been created whereas there is a shortage of other, more urgently needed, goods. He called for the streamlining of projects to be carried out under the plan and for a more effective utilization of raw materials. However, the essential point of his reform program is the proposed return of individual enterprises to capitalist business methods. He asserted that these firms must become separate corporate bodies and that they must have their own investment capital and circulating funds to enable them to function independently. They must draw up their own balance sheets so that their profitability can be readily determined. The accounting system of these enterprises must be revised to facilitate state bank audits.

Greater authority is to be vested in plant managers who will be fully responsible for all business transactions. They shall also have complete authority over all personnel. The principle of piece-work wages (or output wages, in Communist terminology) is to find general application because it is regarded as a powerful material incentive for the increase of work productivity. Hence the workers' right of codetermination and the system of hourly wages, two cardinal trade-union precepts in the past, are to be sacrificed to the Five-Year Plan.

Despite the reforms proposed by Rau, it appears very unlikely that any basic change will take place. The planned economy of East Germany is suffering from structural defects which even the best of intentions may not be able to overcome, as irrefutably evidenced by Rau's complaints of the cumbersomeness of bureaucracy and the lack of enterprise on the part of economic leaders.

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The building industry is in a lamentable condition, Rau admitted. He accused the industry's leaders of "irresponsible carelessness" and haphazard planning. He was also severely critical of the exaggerated centralization of the raw-material supply and of the red tape involved in the procurement of raw materials.

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